

Audit

Report



IMPLEMENTATION OF THE DOD
TECHNOLOGY TRANSFER PROGRAM

Report No. 98-214

September 28, 1998

Office of the Inspector General
Department of Defense

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Acronyms

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| DCMC | Defense Contract Management Command |
| DDL | Delegation of Disclosure Authority Letter |
| FDO | Foreign Disclosure Officer |



INSPECTOR GENERAL
DEPARTMENT OF DEFENSE
400 ARMY NAVY DRIVE
ARLINGTON, VIRGINIA 22202

September 28, 1998

MEMORANDUM FOR UNDER SECRETARY OF DEFENSE FOR POLICY
DEPUTY UNDER SECRETARY OF DEFENSE
(POLICY SUPPORT)
ASSISTANT SECRETARY OF THE AIR FORCE
(FINANCIAL MANAGEMENT AND COMPTROLLER)
DIRECTOR, DEFENSE LOGISTICS AGENCY
AUDITOR GENERAL, DEPARTMENT OF THE ARMY

SUBJECT: Audit Report on the Implementation of the DoD Technology Transfer
Program (Report No 98-214)

We are providing this report for review and comment. We considered comments from the Army and the Defense Logistics Agency in preparing the final report.

DoD Directive 7650.3 requires that all recommendations be resolved promptly. We request that the Under Secretary of Defense for Policy, the Deputy Under Secretary of Defense (Policy Support), and the Air Force provide comments on the final report by November 30, 1998.

We appreciate the courtesies extended to the audit staff. Questions on the audit should be directed to Ms. Evelyn R. Klemstine at (703) 604-9172 (DSN 664-9172) (eklemstine@dodig.osd.mil) or Ms. Mary E. Geiger at (703) 604-9615 (DSN 664-9615) (mgeiger@dodig.osd.mil). See Appendix E for the report distribution. The audit team members are listed inside the back cover.

A handwritten signature in black ink, reading "Robert J. Lieberman", is positioned above the printed name.

Robert J. Lieberman
Assistant Inspector General
for Auditing

Office of the Inspector General, DoD

Report No. 98-214
(Project No 7LG-0040 01)

September 28, 1998

Implementation of the DoD Technology Transfer Program

Executive Summary

Introduction. It is DoD policy to treat Defense-related technology as a valuable, limited national security resource, to be protected and invested in pursuit of national security objectives. Technology transfer is the process of transferring, from an industry in one country to one in another country or between governments, technical data and know-how relating to the design, engineering, manufacture, production, and use of goods. The Under Secretary of Defense for Policy is responsible for developing technology transfer controls, coordinating application of DoD policy, and issuing policies related to technology transfer control. The Military Departments are primarily responsible for implementing the technology transfer program. The Defense Contract Management Command may assist, as delegated by the Military Departments, in performing disclosure control functions at Defense contractor facilities

Audit Objectives. This report is the second of two reports from our audit of Technology Transfer. The overall audit objective was to determine whether technology transfer policies and procedures in DoD were adequate to prevent the unauthorized release of technical data. Specifically, we assessed the Military Departments' and the Defense Contract Management Command implementation of the technology transfer program. We also reviewed the management control program as it related to the audit objective.

Audit Results. The DoD technology transfer program was not fully executed for the four Army and Air Force programs we reviewed. Specifically, the Defense Contract Management Command was unable to effectively perform the foreign disclosure officer function at contractor facilities supporting those programs and there were no other adequate controls to compensate. The Navy had adequate controls for its two programs we reviewed. We did not find any occurrences of classified and unclassified technical data being compromised for the programs reviewed; however, DoD policy is not being implemented and undue risk may exist that U.S. technical data could be compromised. See Appendix A for details on the management control program.

Summary of Recommendations. We recommend that the Under Secretary of Defense for Policy establish a process action team with the Military Departments, the Defense Contract Management Command and the Defense Security Assistance Agency to determine the most effective mechanism to implement current technology transfer policies, given DoD downsizing and restructuring efforts. We also recommend that the Deputy Under Secretary of Defense (Policy Support) and the Director, Defense Logistics Agency, review the January 1991 memorandum of agreement between the two offices to determine whether the requirements are still executable given the workforce reductions at the Defense Contract Management Command. We recommend that the Army develop

delegation of disclosure authority letters for the Multiple Launch Rocket System and the Apache programs, and determine whether technical data previously released through program management reviews for the Israeli Multiple Launch Rocket System were nonreleasable

We recommend that the Commander, Electronic Systems Center, Hanscom Air Force Base enforce the requirement that a U S. Government employee perform foreign disclosure duties at the Electronic Systems Center

Management Comments The Under Secretary of Defense for Policy, the Deputy Under Secretary of Defense (Policy Support), and the Air Force did not comment on the draft report. The Defense Logistics Agency concurred with one recommendation stating that it supports a process action team approach to determine the most efficient and effective way to accomplish foreign technology transfer. The Defense Logistics Agency nonconcurred to the recommendation that the Commander, Defense Contract Management Command-Lockheed Martin-Fort Worth review all releases of technical data to foreign nationals in accordance with Air Force Handbook 16-202, stating that the Defense Contract Management Command-Lockheed Martin-Fort Worth procedures are consistent with DoD and Defense Contract Management Command risk management techniques. The Defense Logistics Agency further stated, however, that the procedures in use at the Defense Contract Management Command-Lockheed Martin-Fort Worth will be reevaluated in a process action team assessment. The proposed action meets the intent of the recommendation. The Army concurred with the recommendations. It stated that action has been initiated to prepare delegation of disclosure letters for all current and future foreign military sales cases and to obtain foreign disclosure officer review of all Israeli action items for the Israeli Multiple Launch Rocket System. See Part I for a complete discussion of management comments and Part III for the complete text of those comments.

Audit Response. We request that the Under Secretary of Defense for Policy, the Deputy Under Secretary of Defense (Policy Support), and the Air Force provide comments on the final report by November 30, 1998. Comments from the Defense Logistics Agency and the Army are responsive and no further comments are required.

Table of Contents

| | |
|---|----|
| Executive Summary | i |
| Part I - Audit Results | |
| Audit Background | 2 |
| Audit Objectives | 3 |
| Implementation of the Technology Transfer Program | 5 |
| Part II - Additional Information | |
| Appendix A Audit Process | |
| Scope and Methodology | 16 |
| Management Control Program | 17 |
| Summary of Prior Coverage | 18 |
| Appendix B Other Matters of Interest | 19 |
| Appendix C Military Departments and Defense Contract Management | |
| Command Technology Transfer Structure | 26 |
| Appendix D Responses to Questionnaires | 30 |
| Appendix E Report Distribution | 33 |
| Part III - Management Comments | |
| Department of the Army Comments | 36 |
| Defense Logistics Agency Comments | 39 |

Part I - Audit Results

Audit Background

It is DoD policy to treat Defense-related technology as a valuable, limited national security resource, to be protected and invested in pursuit of national security objectives. The Arms Export Control Act, June 1976, as amended, governs the sale and export of Defense articles and services and related technical data for commercial and government sales programs. The method of purchase of articles and services, either government program or direct commercial sale, is usually governed by the particular circumstances involved and is made by the purchaser. However, some items are sold only through the foreign military sales program because of international agreements, Presidential restriction, or security reasons. The National Disclosure Policy-1, "National Policy and Procedures for the Disclosure of Classified Military Information to Foreign Governments and International Organizations," October 1, 1988, sets forth specific criteria and conditions that must be met before a decision is made to release classified military information (classified information) to foreign governments and international organizations

Technology Transfer. Technology transfer is the process of transferring, from an industry in one country to an industry in another or between governments, technical data and know-how related to the design, engineering, manufacture, production, and use of goods. To comply with U.S. policy, technology transfer is regulated by staffing transfer requests through the cognizant DoD Component; the Department of Commerce, and the Department of State, and is ultimately controlled through the issuance of a letter of offer and acceptance or an export license

Government Programs. For foreign military sales and other Government programs, the export of Defense articles and services and related technical data pursuant to an executed DoD letter of offer and acceptance are permitted without an export license. However, exports by DoD Components must comply with component directives and regulations that implement the Arms Export Control Act. Foreign representatives may be authorized to visit DoD Components or U.S. Defense contractor facilities when the proposed visit is in support of an actual or potential U.S. Government program. Those visits play a vital part in the exchange of data and technology as part of U.S. international commitments.

Commercial Sales. Exports of Defense articles and services and related technical data by contractors require an export license or other written export authorization pursuant to the International Traffic in Arms Regulation.¹ Commercial exports of Defense articles, classified and unclassified, and technical data all require an approved license from the Department of State. The Department of Commerce regulates the export of goods that are dual-use items.² A license is required for all

¹ The Department of State implements the Arms Export Control Act through issuance of the International Traffic in Arms Regulation. The International Traffic in Arms Regulation governs export of information and material that is Defense-related and listed on the U.S. Munitions List.

² Civilian goods that can also enhance the military capability of the recipient.

methods of transmission, whether by correspondence; electronic means; in person, or telefax or telephone. An export occurs when technical data are disclosed or transferred to a foreign national, whether in the United States or abroad.

Technical Data. Technical data are classified or unclassified information of any kind that can be used, or adapted for use, in the design; development, engineering; maintenance, manufacture; overhaul; processing, production, reconstruction, or repair of goods or munitions. The data may be tangible, such as a blueprint; model; operating manual; or a prototype, intangible, such as oral or visual interactions, or technical service. Classified information requires protection in the interests of national security. Controlled unclassified information (unclassified information) is unclassified but is of such sensitivity, that its use and dissemination is controlled in a manner similar to classified information.

Technology Transfer Structure. The Under Secretary of Defense for Policy is responsible for the development and oversight of DoD policies related to international technology transfer, and exercises control over the Defense Technology Security Administration. The Defense Technology Security Administration is responsible for reviewing the international transfer of Defense-related goods, services, and technology consistent with U.S. foreign policy and national security objectives. The Deputy Under Secretary of Defense (Policy Support) is responsible for ensuring the effective implementation of the National Disclosure Policy and the operations of the National Military Information Disclosure Policy Committee.³ The Defense Security Assistance Agency is responsible for administering and supervising security assistance planning and programs. The Agency also coordinates the formulation and execution of security assistance programs with other governmental agencies. The Military Departments are the major participants in implementing the National Disclosure Policy and are responsible for designating a point of contact in their respective Service for technology transfer matters (see Appendix C). The Defense Contract Management Command (DCMC) may assist, as delegated by the Military Departments, in performing technology transfer functions at defense contractor facilities (see Appendix C). To gain an understanding of the Military Departments and the DCMC technology transfer program, we sent a questionnaire to all foreign disclosure officers (FDOs) identified by the Military Departments and DCMC. See Appendix D for a discussion of the questionnaire and the comments received.

Audit Objectives

This report is the second of two reports resulting from our audit of Technology Transfer. The overall audit objective was to determine whether technology transfer policies and procedures in DoD were adequate to prevent the

³ The central interagency authority within the Executive Branch of the U.S. Government responsible for administering, formulating, monitoring, and promulgating the National Disclosure Policy.

unauthorized release of technical data. Specifically, we assessed the Military Departments' and the DCMC implementation of the technology transfer program. We also reviewed the management control program as it related to the audit objective. See Appendix A for a discussion of the scope and methodology and prior coverage and Appendix B for a discussion of other matters of interest

Implementation of the Technology Transfer Program

The DoD technology transfer program was not fully executed for the Army and Air Force programs we reviewed. Specifically, DCMC was unable to effectively perform the FDO function at contractor facilities and there were no other adequate controls in place to compensate. DCMC was unable to effectively perform the FDO function at contractor facilities because of continued personnel reductions. In addition, the Army and the Air Force were not in compliance with existing policies and procedures for the release of technical data. The Navy had adequate controls for its two programs we reviewed. We did not find any occurrences of classified or unclassified technical data being compromised for the programs reviewed; however, DoD policy is not being implemented and undue risk may exist that U S technical data could be compromised.

Policy and Procedures

Technology Transfer to Foreign Governments and International Organizations. DoD Directive 2040.2, "International Transfers of Technology, Goods, Services, and Munitions," January 17, 1984, establishes policy for the international transfer of Defense-related technology and applies to all technology transfer mechanisms implemented through acquisition activities, security assistance, and strategic trade licensing. The Under Secretary of Defense for Policy shall prepare technology transfer control and enforcement policy guidance and coordinate the overall application of the policy. The Directive also states that DoD Components shall manage transfers of technology consistent with U.S. foreign policy and national security objectives. In all technology transfer cases reviewed, the DoD Component responsible shall consider the transfer of technology on a case-by-case basis. This Directive does not affect the policies contained in the National Disclosure Policy and DoD Directive 5230.11 concerning disclosures of classified information.

Disclosure of Classified Military Information to Foreign Governments. DoD Directive 5230.11, "Disclosure of Classified Military Information to Foreign Governments and International Organizations," June 16, 1992, directs the effective implementation of the National Disclosure Policy, lists the responsible offices within DoD, and provides policy and direction to the Military Departments for the conduct of foreign disclosure activities. The Directive states that classified information is a national security asset that shall be shared with foreign governments, only when a clearly defined benefit exists for the United States and only in support of a lawful and authorized U S Government purpose. A delegation of disclosure authority letter (DDL) shall be used to provide disclosure guidance to subordinate commands. A DDL is a letter issued by the appropriate designated disclosure authority explaining categories, classification levels, limitations, and scope of technical data under a DoD Component's disclosure jurisdiction that may be disclosed to a foreign national.

Implementation of the Technology Transfer Program

Army Guidance. Army Regulation 380-10, "Technology Transfer, Disclosure of Information and Contacts with Foreign Representatives," December 30, 1994, implements the National Disclosure Policy and provides foreign disclosure procedures for classified and unclassified data. A technology assessment and control plan is required for all weapon systems that are, or have the potential for foreign participation. Attached to each technology assessment and control plan is a DDL that describes the scope and limitations of technical data that may be disclosed to specific foreign governments. The Regulation also provides overall directions for the Army technology security program and states that the designated disclosure authority for technology transfer issues is the Deputy Chief of Staff for Intelligence.

Navy Guidance. Secretary of the Navy Instruction 5510.34, "Manual for the Disclosure of Department of the Navy Military Information to Foreign Governments and International Organizations," November 4, 1993, implements the National Disclosure Policy and provides foreign disclosure procedures for classified and unclassified data. Disclosure authority is centralized in the Navy International Programs Office to ensure proper coordination and control of foreign disclosure within the Navy. The Technology Transfer and Security Assistance Review Board advises and makes recommendations to the Secretary of the Navy on all precedents or significant issues concerning foreign disclosure, international programs, security assistance, and technology transfer.

Air Force Guidance. Air Force Handbook, "Disclosure Handbook," October 20, 1993, establishes procedures for FDOs and technical representatives who receive, review, process, coordinate, and approve or deny requests for release of classified and unclassified technical data to foreign governments and their representatives. The Handbook states that the Secretary of the Air Force has redelegated Air Force disclosure authority to the Disclosure Division, Deputy Under Secretary of the Air Force (International Affairs). Air Force policy permits only properly designated disclosure authorities within the Air Force to approve and authorize the disclosure of technical data under Air Force jurisdiction. A DDL formally identifies the organization delegated the authority, the classification level, the country affected, the disclosure method, and limitations to disclosure.

Releases of Technical Data at Contractor Facilities

The DoD technology transfer program was not fully executed for the Army and Air Force programs we reviewed. Specifically, DCMC was unable to effectively perform the FDO function at contractor facilities and there were no other adequate controls in place to compensate. DCMC was unable to effectively perform the FDO function at contractor facilities because of continued personnel reductions.

Memorandum of Agreement. In January 1991, the Deputy Under Secretary of Defense (Policy Support) (formerly the Deputy Under Secretary of Defense [Security Policy]) and the Director, Defense Logistics Agency, signed a memorandum of agreement. The purpose of the 1991 memorandum of agreement was to define international security responsibilities and functions to be assumed by DCMC under the Defense Logistics Agency. The memorandum stated that the amount of international program activity at defense contractor facilities had

Implementation of the Technology Transfer Program

increased significantly and was expected to continue. Therefore, DCMC agreed to provide DoD Components on-site representation and serve as an interface with foreign governments for designated security matters. Based on the agreement, DCMC was to

- o designate an FDO at each contractor facility that required one,
- o ensure all disclosure decisions made by contractor facility FDOs were in accordance with written guidance received from the foreign disclosure office of the applicable DoD Component,
- o provide assistance to DoD Component foreign disclosure offices in monitoring controls on foreign visitors and implementing specific security requirements as necessary,
- o serve, when delegated, as the U S. Government release official for transfers of U S. classified material to foreign nationals, and
- o serve as the U S. Government on-site point of contact for exports of controlled information when Government certification is specified

The 1991 memorandum also stated that the Defense Logistics Agency would endeavor to ensure that all necessary resources to accomplish the above functions and responsibilities would remain in place

Workforce Reductions at the DCMC. Since the signing of the 1991 memorandum the DCMC encountered workforce reductions of 34.5 percent. The FY 1991 DCMC civilian and military workforce was 22,161. At the end of FY 1997, that workforce had decreased to 14,523 (34.5 percent). Officials at DCMC stated that reductions in the workforce were expected to continue in the future. Projected workforce reductions for FY 1998 and FY 1999 were expected to be 3 percent and 2.3 percent, respectively. The workforce reductions have resulted in certain DCMC locations not being able to effectively perform their FDO function as required by the 1991 memorandum of agreement. For example, at the DCMC-Lockheed Martin-Fort Worth location, the workforce from FY 1991 through FY 1997 was reduced by about 49 percent. The FY 1991 civilian and military workforce was 249. At the end of FY 1997, that workforce had decreased to 127 (49 percent). Officials at DCMC-Lockheed Martin-Fort Worth projected an additional 4 percent reduction in the number of civilians from FY 1997 through FY 1999.

DCMC Foreign Disclosure Officer Duties. DCMC-Lockheed Martin-Fort Worth did not devote the same level of resources to the FDO function because of the reductions. As a result, the FDO did not review all releases of technical data to foreign nationals for the F-16 aircraft sale to Singapore. At the DCMC-Lockheed Martin-Fort Worth location, the foreign disclosure office consisted of one individual for whom foreign disclosure was only a part-time duty. That individual's duties encompassed the sale of F-16 aircraft to 18 countries as well as the Joint Strike Fighter Program. The individual, a management analyst, was a DCMC employee whose foreign disclosure responsibilities, according to the position description, were to occupy only 45 percent of the individual's time. However, the individual's assigned responsibilities occupied more than 45 percent

Implementation of the Technology Transfer Program

of his time. In the past, the FDO had been a full-time position, devoting 100 percent of the time to performing foreign disclosure functions. However, the position was eliminated because of workforce reductions and those duties were assigned to another individual.

Sampling Procedure. Because of the large volume of documents released by the FDO, it could review only a sample of documents being released to foreign nationals. As a result, the FDO at DCMC-Lockheed Martin-Fort Worth devised a sampling procedure to decrease the work load for the Singapore program. The Government of Singapore purchased 18 F-16s and a software maintenance facility. The FDO reviewed 80 percent of the unclassified technical data requests and 100 percent of the classified technical data requests related to the F-16 aircraft. However, requests for software releases related to the software maintenance facility, whether classified or not, were not reviewed. From July 1995 through June 1997 2,137 documents had been released into the software maintenance facility. The Air Force Disclosure Handbook 16-202 requires that all classified and unclassified technical data be reviewed and approved by a properly designated disclosure authority before release. By sampling the documents and not reviewing releases that were in the software facility, DCMC did not ensure that all technical data released to foreign nationals were reviewed as required by the Air Force handbook. Thus, the data did not meet the requirements of the 1991 agreement between the Deputy Under Secretary of Defense (Policy Support) and the Director, Defense Logistics Agency.

Compliance with Policy and Procedures

DoD, Army, and Air Force policies and procedures were not fully executed. The Army and the Air Force had inadequate controls in place for reviewing technical data released to foreign nationals for the four foreign military sales programs reviewed. The Army and the Air Force were not in compliance with their own policies and procedures for the release of technical data. The Navy had adequate controls in place for reviewing technical data released to foreign nationals for the two foreign military sales programs reviewed.

Army Programs. The Army had inadequate controls in place for reviewing technical data released to foreign nationals for the two programs reviewed. The Army had not completed DDLs for the two foreign military sales programs reviewed. In addition, the FDO at the Army Aviation and Missile Command did not review the technical data released by the Security Assistance Management Directorate. We reviewed the Israeli purchase of the Multiple Launch Rocket System and the Netherlands purchase of the AH-64 Apache helicopter. In conjunction with those reviews we visited the United States Army Security Assistance Command, the Army Aviation and Missile Command, and the Aviation and Missile Command offices, which assisted in implementing the two programs. Those commands had not complied with policies and procedures for the release of technical data.

Implementation of the Technology Transfer Program

Army DDLs. The Army had not completed DDLs for the two foreign military sales programs reviewed. DoD Directive 5230.11 states that a DDL will be used to provide disclosure guidance to subordinate commands and, when applicable, to DoD contractors. Army Regulation 380-10 requires a technology assessment and control plan and a DDL for all weapon systems for which there is a potential for foreign participation. Personnel from the Army Aviation and Missile Command stated that the Multiple Launch Rocket System did not have a DDL because of the involvement of several other countries in the initial development of the program. The Multiple Launch Rocket System was developed and is manufactured under a cooperative program with four other countries. A cooperative program memorandum of understanding was signed in July 1979 before the directive and regulation required a technology assessment control plan and DDL. In accordance with the memorandum of understanding, approval of the participating countries is required prior to the release of Multiple Launch Rocket System documentation. Although no DDLs or other formal procedures existed in July 1979, personnel from the Multiple Launch Rocket System program office stated that approvals were obtained in accordance with the memorandum of understanding and that sensitivity of all released information was considered prior to release to customers.

Personnel from the Army Aviation and Missile Command stated that a DDL for the Apache program was submitted but never approved because of the number of countries interested in purchasing the system. However, the simplicity or complexity of a program does not determine whether a DDL is to be prepared. DoD Directive 5230.11 and Army Regulation 380-10 require DDLs whenever technical data may be disclosed to a foreign national. Without the DDLs, the Army had not provided FDOs the guidance needed to make sound and justified decisions regarding the release of technical data to foreign nationals. In addition, the Army was not meeting the requirements of DoD Directive 5230.11 and Army Regulation 380-10 for the release of technical data.

Program Management Reviews. The Army Aviation and Missile Command did not review all releases of technical data for the Israeli Multiple Launch Rocket System. Army Regulation 380-10 requires each major command to designate an FDO to exercise the organization's disclosure authority. In addition, all classified and unclassified technical data under consideration for release to a foreign national is to be referred to the FDO for appropriate review and approval. Although the Army Aviation and Missile Command had designated an FDO, not all releases of technical data were reviewed and approved by the FDO. The Multiple Launch Rocket System Program Office conducted periodic program management reviews with Israeli nationals to assess the overall program status. During those program management reviews Israeli nationals submitted questions pertaining to the delivery and financial status of the program as well as configuration management and capabilities of the system. The Security Assistance Management Directorate numbered each page of questions as an action item and responded in a written format to the Israeli nationals. However, some action items required the release of technical data. Those action items requiring the release of technical data were not reviewed by an FDO.

Implementation of the Technology Transfer Program

In November 1997, we informed the Army Aviation and Missile Command FDO that the Multiple Launch Rocket System Program Office was releasing technical data at program management reviews without FDO review and approval. The FDO immediately established procedures to ensure that all questions submitted by foreign nationals requiring the release of technical data were submitted for review and approval. Although procedures were established in November 1997, as of April 1998, past action items requiring the release of technical data were not reviewed by an FDO to ensure that technical data had not been compromised during program management reviews.

Navy Programs. The Navy had adequate controls in place for reviewing all technical data released to foreign nationals for the two foreign military sales programs reviewed. We reviewed the French purchase of the E-2C aircraft and the Spanish purchase of the AEGIS combat and weapon system. In conjunction with those programs we visited the Naval Sea Systems Command, the Naval Air Systems Command, the AEGIS Program Office, and the E-2C Program Office. Although the Navy did not provide DDLs for the two foreign military sales programs reviewed, it did provide releasability guidelines in the form of a handbook that contained all the required components of a DDL. For example, on the Spanish AEGIS program, a specific releasability handbook was created, providing specific guidance pertaining to the systems and subsystems purchased and which components of those systems were releasable to the Spanish foreign nationals. All items reviewed were released in accordance with DoD and Navy policies and procedures for the release of technical data.

Air Force Programs. The Air Force had inadequate controls in place for reviewing technical data released under the Airborne Warning and Control System. Although the Air Force provided adequate DDLs for the two programs reviewed, technical data for the Airborne Warning and Control System was not reviewed and approved by a properly designated disclosure authority before release. That occurred because personnel at the Electronic Systems Center, Hanscom Air Force Base (Electronic Systems Center, Hanscom) did not comply with Air Force Handbook 16-202. We reviewed the Singapore purchase of the F-16 aircraft and the Japanese purchase of the Airborne Warning and Control System. In conjunction with those reviews we visited the Aeronautical Systems Center, the F-16 program office, and Electronic Systems Center, Hanscom and a detachment office at Boeing Aircraft.

Air Force DDLs. The Air Force provided adequate DDLs for the two programs we reviewed. For the Singapore purchase of the F-16 aircraft, the Air Force created a DDL specific to the Singapore purchase of that weapon system and provided specific guidance on what elements of the various subsystems were and were not releasable to Singapore foreign nationals. Similar detail was contained in the DDL provided for the Japanese purchase of the Airborne Warning and Control System.

Releases at Hanscom. The Electronic Systems Center, Hanscom did not follow procedures in place governing the release of unclassified technical data for the Airborne Warning and Control System. The Air Force Disclosure Handbook 16-202 states that all classified and unclassified technical data must be reviewed and approved by a properly designated disclosure authority before release. The Electronic Systems Center, Hanscom was not authorized to release

Implementation of the Technology Transfer Program

classified information on the Airborne Warning and Control System. However, the authority to approve disclosures of unclassified technical data under the program was redelegated from the Electronic Systems Center detachment office at Boeing Aircraft to the Electronic Systems Center, Hanscom. The July 1997 agreement governing the redelegation of foreign disclosure authority for the Airborne Warning and Control System specifically stated who was allowed to exercise disclosure authority. In addition, the agreement stated that the individual authorized to disclose data must be an employee of the U.S. Government, not a contractor employee for reasons of accountability. However, for the sale of the Airborne Warning and Control System to Japan, a contractor employee was approved to release technical data and the FDO at Hanscom sent a monthly summary of releases to the Electronic Systems Center, Boeing without performing any independent releasability reviews. The designated FDO reviewed technical data only if the contractor was unavailable. As a result, the Electronic Systems Center, Hanscom released information that was not approved by a FDO, as required by Air Force Handbook 16-202.

Implementation of DoD Policy

We did not find any occurrences of classified or unclassified technical data being compromised for the programs reviewed; however, DoD policy is not being implemented and undue risk may exist that U.S. technical data could be compromised. Since the demise of the Soviet Union and the end of the Cold War, DoD has been restructuring and downsizing its forces. The DCMC can no longer effectively perform the FDO function of approving classified and unclassified releases of technical data. The Army and the Air Force did not follow existing procedures for ensuring that technical data were protected commensurate with DoD Directives 2040.2 and 5230.11. International armaments cooperation programs are becoming a viable method of developing and acquiring weapons systems in an era of reduced defense spending, thereby increasing the number of foreign requests for classified and unclassified data. However, DoD is becoming less able to meet the demands of DoD Directives 2040.2 and 5230.11 for technology transfer releases because of its downsizing efforts. As a result, the Under Secretary of Defense for Policy needs to evaluate how to balance the increase in demands for technical data releases with personnel reductions and with restructuring efforts in DoD.

Recommendations, Management Comments, and Audit Response

1. We recommend that the Under Secretary of Defense for Policy establish a process action team with the Military Departments, the Defense Contract Management Command and the Defense Security Assistance Agency to determine the most effective mechanism to implement current technology transfer policies given DoD downsizing and restructuring efforts.

2. We recommend that the Deputy Under Secretary of Defense (Policy Support) in coordination with the Director, Defense Logistics Agency, review the January 1991 memorandum of agreement between the Deputy Under Secretary of Defense (Policy Support) and the Director, Defense Logistics Agency to determine whether the requirements of the memorandum continue to be executable given the workforce reductions at the Defense Contract Management Command.

Under Secretary of Defense for Policy Comments. The Under Secretary of Defense for Policy did not provide comments on the draft report. We request that the Under Secretary of Defense for Policy provide comments on applicable recommendations in response to the final report.

Defense Logistics Agency Comments. The Defense Logistics Agency concurred, stating its support for a process action team approach to accomplish the foreign technology transfer program in light of DoD risk management techniques

3. We recommend that the Commander, Defense Contract Management Command-Lockheed Martin-Fort Worth review all releases of technical data to foreign nationals in accordance with Air Force Handbook 16-202.

Defense Logistics Agency Comments. The Defense Logistics Agency nonconcurred, stating that Defense Contract Management Command-Lockheed Martin-Fort Worth procedures are consistent with DoD and Defense Contract Management Command risk management techniques. The Defense Logistics Agency further stated that the procedures in use at the Defense Contract Management Command-Lockheed Martin-Fort Worth will be reevaluated in a process action team assessment as recommended in Recommendation 2

Audit Response. Although the Defense Logistics Agency nonconcurred, its proposal to have the procedures in use at the Defense Contract Management Command-Lockheed Martin-Fort Worth reviewed by the process action team meets the intent of the recommendation. No further response is required.

4. We recommend that the Commander, U.S. Army Aviation and Missile Command:

a. Develop delegation of disclosure authority letters for the Multiple Launch Rocket System and the Apache program, in accordance with DoD Directive 5230.11 and Army Regulation 380-10.

b. Review items previously released through program management reviews to determine whether technical data for the Israeli Multiple Launch Rocket System were nonreleasable.

Army Comments. The Army concurred, stating that DDLs will be prepared for current and future foreign military sales cases. It also stated that preliminary research indicates that all technical information previously provided Israel in response to program management reviews was reviewed for releasability by system experts from the program management office. The Army has initiated action to obtain FDO review of all Israeli action items involving technical information to reevaluate data releasability. The review is expected to be completed by January 1, 1999.

5. We recommend that the Commander, Electronic Systems Center, Hanscom Air Force Base enforce the requirement that a U.S. Government employee perform foreign disclosure at the Electronic Systems Center, Hanscom Air Force Base, in accordance with Air Force Handbook 16-202.

Air Force Comments. The Air Force did not provide comments on the draft report. Therefore, we request that the Air Force provide comments on the recommendation in response to the final report.

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Part II - Additional Information

Appendix A. Audit Process

Scope and Methodology

We reviewed public laws, DoD policies, and Military Department policies and procedures related to the transfer of technological data. We mailed questionnaires to the Military Department and DCMC-identified FDOs to determine the overall structure of their technology transfer programs. To determine whether controls were in place to prevent the unauthorized release of technology, we reviewed 1996 and 1997 data release logs, DDLs, release procedures, technical assistance agreements, and technology assessment control plans for the Multiple Launch Rocket System sale to Israel; the AH-64 Apache helicopter sale to the Netherlands, the E-2C aircraft sale to France; the AEGIS combat and weapon sale to Spain, the Airborne Warning and Control System sale to Japan, and the F-16 aircraft sale to Singapore

We interviewed personnel with the Office of the Deputy Under Secretary of Defense (Policy Support), the Defense Logistics Agency, the Defense Contract Management Command, the Army, the Navy, and the Air Force

DoD-wide Corporate Level Government Performance and Results Act Goals. In response to the Government Performance and Results Act, DoD established 6 DoD-wide corporate level performance objectives and 14 goals for meeting those objectives. This report pertains to the achievement of the performance objective to shape the international environment through DoD engagement programs and activities. The goal of that objective is to support friends and allies by sustaining and adapting security relationships **(DoD-1.1)**

General Accounting Office High Risk Area. The General Accounting Office has identified several high risk areas in the DoD. This report provides coverage of the Defense Contract Management high risk area

Use of Computer-Processed Data. We did not use computer-processed data to perform this audit

Technical Assistance. Our Technical Assessment Division reviewed controls and interviewed personnel for the release of technical data for the Airborne Warning and Control System sale to Japan and the F-16 sale to Singapore

Audit Type, Dates, and Standards. We performed this program results audit from May 1997 through May 1998, in accordance with auditing standards that the Comptroller General of the United States issued, as implemented by the Inspector General, DoD. Accordingly, we included tests of management controls considered necessary

Contacts During the Audit. We visited or contacted individuals and organizations within the DoD. Further details are available upon request.

Management Control Program

DoD Directive 5010 38, "Management Control Program," August 26, 1996, requires DoD organizations to implement a comprehensive system of management controls that provide reasonable assurance that programs are operating as intended and to evaluate the adequacy of controls

Scope of Review of Management Controls. We reviewed the adequacy of the DoD and Military Departments' management controls to ensure that for the six programs reviewed releases of technical data to foreign nationals were in accordance with all regulations. Specifically, we evaluated the Military Departments' and the DCMC implementation of policies and procedures for disclosing classified technical data and controlled unclassified technical data to foreign governments and international organizations.

Adequacy of Management Controls. We identified material management control weaknesses for DCMC, the Army, and the Air Force as defined by DoD Directive 5010 38 for the four programs reviewed. The Air Force was not aware of all technical data released by the DCMC-Lockheed Martin-Fort Worth location for the Singapore purchase of the F-16. The Army and the Air Force management controls were not in place to ensure that technical data released to foreign nationals was in accordance with applicable regulations. The Army had neither completed the required DDLs for the two foreign military sales programs reviewed nor performed reviews of technical data that were released to foreign nationals under the Israeli Multiple Launch Rocket System. The Air Force did not follow procedures requiring that all releases of technical data for the Airborne Warning and Control System be reviewed by an FDO. Recommendations 3., 4.a, 4.b., and 5 in this report, if implemented, will provide adequate controls to ensure that technical data are protected. A copy of the report will be provided to the senior officials responsible for management controls in the Office of the Secretary of Defense, the Army, the Air Force, and the Defense Logistics Agency.

Adequacy of Management's Self-Evaluation. The Office of the Secretary of Defense did not identify any management control weaknesses related to the technology transfer program.

The Army identified one management control weakness related to the technology transfer program in FY 1997. That weakness pertained to the foreign liaison officer program. Controls and safeguards over foreign liaison officer access to Army facilities, classified military information, and controlled unclassified information were not performed. During the course of the audit, we found evidence of this concern in the Air Force and addressed this to the Deputy to the Under Secretary of Defense (Policy) for Policy Support (see Appendix B).

The Navy International Programs Office identified foreign disclosure as a high risk assessable unit in FY 1997. However, in its evaluation, the Navy International Programs Office did not identify any material management control weaknesses.

Appendix A. Audit Process

The Office of the Deputy Under Secretary of the Air Force (International Affairs) identified the Disclosure Division as an assessable unit in FY 1997. The Disclosure Division in its evaluation did not identify any material management control weaknesses

The Defense Logistics Agency did not identify any management control weaknesses related to the technology transfer program. The DCMC-Lockheed Martin-Fort Worth location is an assessable unit of the Defense Logistics Agency. The DCMC-Lockheed Martin-Fort Worth location identified foreign disclosure as a medium risk assessable unit, but in its FY 1997 evaluation did not identify any material control weaknesses

Summary of Prior Coverage

Inspector General, DoD, Report No. 98-157, "Updating the Foreign Disclosure and Technical Information System," June 17, 1998

Inspector General, DoD, Report No. 97-210, "Technology Transfer Under the F-15I Program," August 27, 1997

Department of the Army, RAND Project Memorandum, "Army Technology Transfer Policy and Process," July 1997

Appendix B. Other Matters of Interest

Navy CD-ROM

The Los Alamos National Laboratory developed a CD-ROM for the Navy International Programs Office, listing all the disclosure decisions made by Navy personnel before August 1997, to include all Navy Technology Transfer and Security Assistance Review Board decision memorandums. The board determines what the Navy will release to each country and what that country can purchase. The decisions are published in a classified technology transfer security assistance review board decisions memorandum for each specific technology. The CD-ROM also includes the National Disclosure Policy and National Military Information Disclosure Policy Committee release decisions.

The Army and the Air Force should consider developing a CD-ROM with their disclosure decisions for use by FDOs at any command that has a routine requirement to disclose U.S. classified or controlled unclassified to foreign nationals. The CD-ROM could be used to list all the release decisions that the Army and Air Force have agreed to with various countries. Those decisions could include such items as international agreements and memorandums of agreement between the United States and another country that could have an impact on the technology transfer program. Also, the CD-ROM could be used to disclose what the export policy will be for a particular system. The Military Department use of a CD-ROM would assist in keeping FDOs at the various commands aware of the release and export policy decisions that have been made at the Headquarters level.

Access of Foreign Liaison Officers to DoD Facilities and Information

We identified a need for improved controls governing access by foreign liaison officers to DoD facilities and information. Based on discussions with Air Force staff, foreign liaison officers were issued active duty U.S. military identification cards that did not clearly identify them as foreign nationals, as well as DoD registered vehicle stickers, giving them liberal access to DoD facilities. Additionally, the F-16 System Program Office and the Airborne Warning and Control System Program Office provided foreign liaison officers with internet e-mail addresses, which could imply to the reader that the senders were U.S. Government personnel.

September 18, 1997, Memorandum. We issued a memorandum on September 18, 1997, to the Deputy Under Secretary of Defense (Policy Support) addressing our concerns and the need for interim guidance to be issued until DoD Directive 5230.20 was revised (see memorandum on page 21). At that time the Directive was being revised to establish and delineate specific policy on the Foreign Liaison Officers Program. The revision was expected to be completed by March 18, 1998.

Appendix B. Other Matters of Interest

October 14, 1997, Memorandum. In an October 14, 1997, memorandum, the Deputy Under Secretary of Defense (Policy Support) stated that the areas of concern resulted more from a failure to comply with existing instructions than from DoD Directive 5230 20 (see memorandum on page 23). DoD Directive 5230 20 requires that a U S. official be designated to control the activities of foreign visitors and exchange personnel. That official must be familiar with DoD Directive 5230 11, the applicable DoD Component guidelines, and the specific disclosure guidelines for the visitor.

November 7, 1997, Meeting. In a November 7, 1997, meeting with the Director, International Security Programs, Office of the Deputy Under Secretary of Defense (Policy Support), the Director agreed to reexamine the issues of the identification cards and the e-mail addresses and to make a determination as to whether those issues needed to be addressed specifically. The Director also agreed to expedite the processing of the revision to DoD Directive 5230 20

August 12, 1998, Issuance. On August 12, 1998, the revised DoD Directive 5230 20 was issued. DoD Directive 5230.20 addresses the areas of concern expressed to the Office of the Deputy Under Secretary of Defense (Policy Support) in the September 18, 1997, memorandum

Appendix B. Other Matters of Interest



INSPECTOR GENERAL
DEPARTMENT OF DEFENSE
400 ARMY NAVY DRIVE
ARLINGTON, VIRGINIA 22202

September 18, 1997

MEMORANDUM FOR DEPUTY TO THE UNDER SECRETARY OF DEFENSE
(POLICY) FOR POLICY SUPPORT

SUBJECT: Access to DoD Facilities by Foreign Liaison Officers

During our ongoing audit of technology transfer, we identified a need for improved controls governing access by foreign liaison officers to DoD facilities and information. We request that you take prompt action to ensure that controls are established for foreign nationals who are required to be in continuous contact with a DoD Component or a DoD contractor facility beyond 30 days.

The F-16 System Program office had 22 foreign liaison officers representing 11 countries, connected with the F-16 foreign military sales program. Each of the foreign liaison officers assigned to the F-16 System Program office had an extended visit authorization. Based on discussions with Air Force staff, foreign liaison officers were issued active duty U.S. military identification cards that did not clearly identify them as foreign nationals, as well as DoD registered vehicle stickers, giving them liberal access to DoD facilities. Additionally, the F-16 System Program office and the Airborne Warning and Control System Program office provided foreign liaison officers with internet e-mail addresses, which could be interpreted to infer or imply to the reader that the senders were U.S. Government personnel. As a result, foreign liaison officers may have uncontrolled and unauthorized access to DoD facilities; and their e-mail addresses may allow them access to information intended for only U.S. personnel.

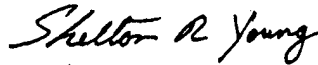
DoD Directive 5230.20, "Visits and Assignments of Foreign Representatives," April 24, 1992, provides policy and procedures for visits by foreign government representatives who are assigned to DoD Components, or to facilities over which DoD Components have security responsibility. The Directive states that when a foreign national is required to be in continuous contact with a DoD Component beyond 30 days, an extended visit authorization is to be used. Authorizations shall be valid for the duration of the program, assignment, training, or certification, subject to annual review and revalidation. However, the Directive does not specifically address controls over the Foreign Liaison Officer Program, to include the issuance of military identification cards, vehicle decals, and e-mail addresses.

We have been advised that DoD Directive 5230.20, is being revised to establish and delineate specific policy on the Foreign Liaison Officers Program. However, the revision will require at least 6 additional months. Interim specific guidance needs to be established to

Appendix B. Other Matters of Interest

2

ensure that access to DoD facilities and information is controlled. Please inform us in writing by October 14, 1997, of the actions to be taken until the revised directive is implemented. You may direct any questions on the issue to Ms. Evelyn R. Klemstine, Audit Program Director at (703) 604-9172 (DSN 664-9172) or Ms. Mary E. Geiger, Audit Project Manager, at (703) 604-9615 (DSN 664-9615).



Shelton R. Young
Director
Logistics Support Directorate

cc:

Under Secretary of Defense for Acquisition and Technology
Deputy Under Secretary of the Army (International Affairs)
Director, Navy International Programs
Deputy Under Secretary for International Affairs, Department of the Air Force

Appendix B. Other Matters of Interest



POLICY

OFFICE OF THE UNDER SECRETARY OF DEFENSE
2000 DEFENSE PENTAGON
WASHINGTON, DC 20301-2000



In reply refer to:
I-97/55608
14 October 1997

MEMORANDUM FOR THE INSPECTOR GENERAL

SUBJECT: Access to DoD Facilities by Foreign Liaison Officers

Reference: DoD IG memorandum of September 18, 1997, subject as above

In the referenced memorandum you requested this office take prompt action to ensure that controls are established for foreign nationals who are required to be in continuous contact with a DoD Component or a DoD contractor facility beyond 30 days. You reference DoD Directive 5230.20, "Visits and Assignments of Foreign Representatives," April 24, 1992 which is currently in revision, and you cite three areas of concern requiring interim specific guidance (pending issuance of the revised DoD Directive 5230.20) to ensure that access to DoD facilities and information is controlled

The three areas of concern you identified have been reviewed against the current directive. It would appear the concerns may result more from a failure to comply with other existing instructions rather than from DoD Directive 5230.20. The current DoD Directive 5230.20 requires a U.S. official be designated to control the activities of foreign visitors and exchange personnel. That designated official must be familiar with DoD Directive 5230.11, "Disclosure of Classified Military Information to Foreign Governments and International Organizations", the applicable DoD Component guidelines governing the release of classified and controlled unclassified information, and the specific disclosure guidelines for the visitor (either in a Delegation of Disclosure Letter (DDL) or other written guidance). Issuance of interim guidance pending revision of DoD Directive 5230.20 is unnecessary. The directive (and its planned revision) do not cover the areas you address because they are addressed by other DoD instructions.

You are concerned that Foreign Liaison Officers (FLOs) could have uncontrolled and unauthorized access to DoD facilities based on their possession of an ID card and a DoD Registered Vehicle decal. That concern fails to consider that "access to DoD facilities" is not the same as "access to classified or controlled unclassified information", the main purpose for DoD Directive 5230.20. Insofar as the issue of motor vehicle decals is concerned, the Army/Air Force/Navy/Marine



Corps/DLA publication entitled *Motor Vehicle Traffic Supervision*, is the document used to manage the issuance of DoD Registered Vehicle decals. It does not contain language that specifically addresses issuance of decals to FLOs, however, the common practice is to issue a vehicle decal to expedite entrance to the DoD installation where the FLO is assigned. There is concern that FLOs with a decal could use that decal to enter installations other than those to which they are assigned. This concern should be tempered with the understanding that decals are not used as a means of personal identification or for granting access to DoD classified or controlled unclassified information.

Insofar as the issue of ID cards for FLOs is concerned, the current version of DoD Directive 5230.20 does not authorize issuance of active-duty ID cards, nor will the revision. DoD Instruction 1000.13, "Identification Cards for Members of the Uniformed Services", provides policy guidance on the issuance of ID cards. We understand from your auditors that they have no actual evidence that FLOs are being issued "active-duty military ID cards", but rather they based the contention in your memorandum on assertions made by Air Force staff. While we, also, have no actual evidence of Military Department practice in issuance of active-duty military ID cards to FLOs, we point out that, pursuant to DoD Instruction 1000.13, FLOs may, in fact, be authorized issuance of DD Form 1173, "Uniformed Services Identification and Privilege Card", allowing them to use military commissary and exchange facilities. However, this identification card should not be confused with the DD Form 2, "U.S. Armed Forces Identification Card", which is issued to active-duty U.S. military members.

The issue of FLOs having been provided with internet e-mail addresses is not specifically covered by the current DoD Directive 5230.20, nor is it planned for the revision. Although the DDL may or may not address a particular FLOs access to DoD automated information systems (AIS), any access authorization must be consistent with the DDL. In determining access requirements, the designated official should also consider other DoD directives such as DoD Directive 5200.28, "Security Requirements for Automated Information Systems", and any related applicable DoD Component instructions.

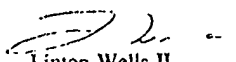
For example, DoD Directive 5200.28 prohibits access by foreign nationals to U.S. Government-owned or U.S. Government-managed AIS except when authorized by the DoD Component Head. Additionally, it requires that access shall be consistent with Department of Defense, the Department of State (DOS), and the Director of Central Intelligence (DCI) policies. The fact that a FLO has been provided with an internet e-mail address does not of itself equate with allowing him access to "information intended for only U.S. personnel". Unless encrypted by an approved method, DoD restricts transfers over the internet to information approved for public release.

Appendix B. Other Matters of Interest

3

Transfer of "For Official Use Only" and "Export Controlled Technical Data" over the internet is controlled by existing guidance from the AIS Designated Approval Authority (DAA). The responsible DAA must approve any access to the AIS and the level of information processed on that AIS. Because individual FLOs are governed by different DDLs, specific controls on their access to AIS should not be the subject of DoD Instruction 5230.20. Rather, controls should be addressed by the DAA, in consultation with the designated U.S. official responsible for the FLOs activities, and consistent with the access authorized by the DDL.

Should your staff need additional information, my action officer on this matter is Mr. Paul Lapham, Policy Support, International Security, (703) 697-3181.


Linton Wells II
Deputy to the USD(P)
for Policy Support

Appendix C. Military Departments and DCMC Technology Transfer Structure

Each of the Military Departments has responsibility for participating in the implementation of DoD Directives 2040.2 and 5230.11. Despite their common responsibilities, the Military Departments differ in their implementation of the policy, as summarized below.

Army. The Army technology transfer structure was the most decentralized of the Military Departments. The Deputy Chief of Staff for Intelligence is the principal disclosure authority and exercises exclusive approval for disclosure of official Army technical data to foreign representatives. The Office for International Industrial Cooperation within the Army Security Assistance Command processes the initial Army export license requests and munitions or dual use licenses and develops international co-production agreements. In addition, the Deputy Under Secretary of the Army (International Affairs) is responsible for developing Army policy regarding international programs. See Figure C-1 for the organizational structure of the Army.

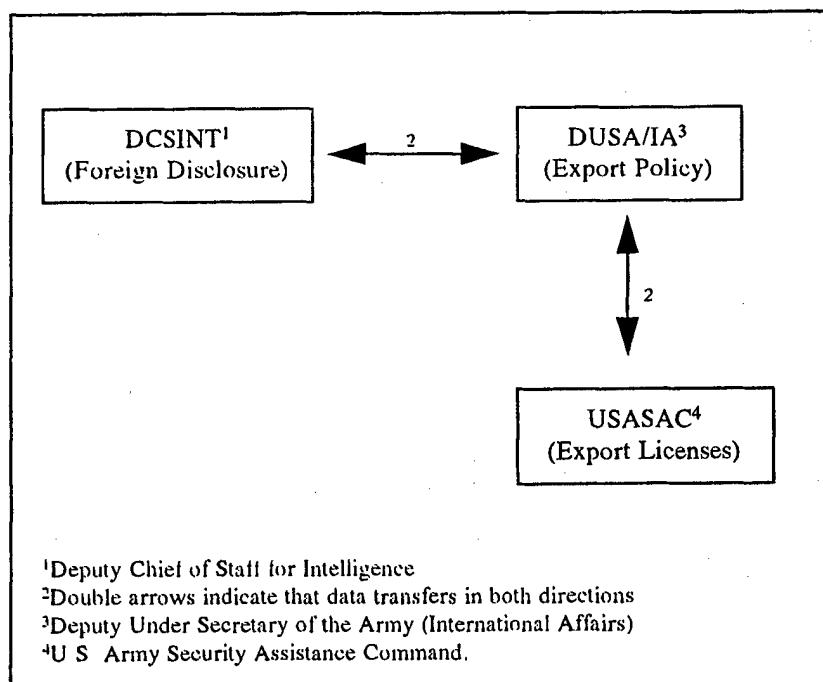


Figure C-1. Structure of the Army

Appendix C. Military Departments and DCMC Technology Transfer Structure

Navy. The Navy technology transfer structure was centralized in the Navy International Programs Office. The Navy International Programs Office serves as the principal office for implementing all Navy international programs concerning foreign disclosure, international technology transfer, and security assistance. The Navy International Programs Office is a field activity of the Assistant Secretary of the Navy (Research, Development, and Acquisition). Disclosure matters including documents, licensing, and visits are handled by the Technology Security Directorate. Precedent setting or politically sensitive requests are referred to higher authority.

The Technology Transfer and Security Assistance Review Board establishes the Navy position regarding the export of a Navy system. The Board determines the Navy's sales release policy before a sales request. The Board is co-chaired by the Assistant Secretary of the Navy (Research, Development and Acquisition) and the Vice Chief of Naval Operations and consists of representatives from other naval organizations. The executive director of the board is the Director, Navy International Programs Office. See Figure C-2 for the organizational structure of the Navy.

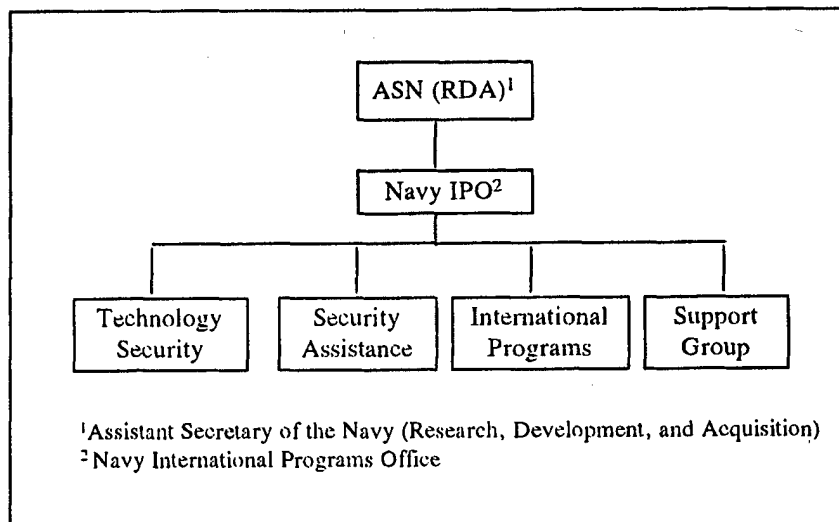


Figure C-2. Structure of the Navy

Appendix C. Military Departments and DCMC Technology Transfer Structure

Air Force. The Air Force technology transfer structure was centralized in the Office of the Deputy Under Secretary of the Air Force (International Affairs). The Disclosure Division, is the principal disclosure authority, and it has the authority to disclose or deny the disclosure of technical data under Air Force cognizance. The Division also handles munitions license requests. See Figure C-3 for the organizational structure of the Air Force.

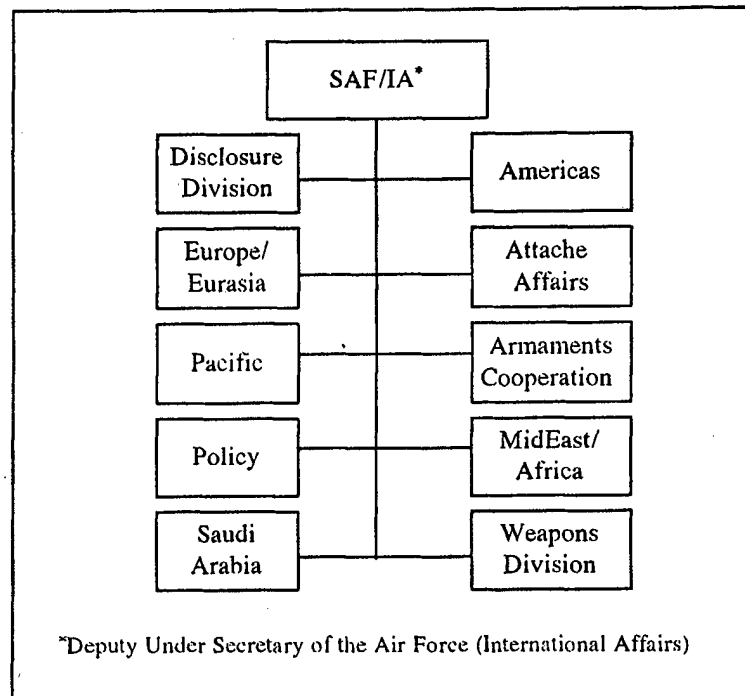


Figure C-3. Structure of the Air Force

Defense Contract Management Command. The DCMC did not have a technology transfer structure of its own. DCMC is involved in the disclosure process only if a Military Department delegates the authority to the designated FDO. In accordance with the 1991 memorandum of agreement between the Deputy Under Secretary of Defense (Policy Support) and the Defense Logistics Agency, DCMC is to designate a FDO in each contractor facility that requires one and ensure all disclosure decisions are made by contractor facility FDOs in accordance with the written guidance received from the foreign disclosure office of the applicable Military Department. See Figure C-4 for the organizational structure of the Defense Contract Management Command.

Appendix C. Military Departments and DCMC Technology Transfer Structure

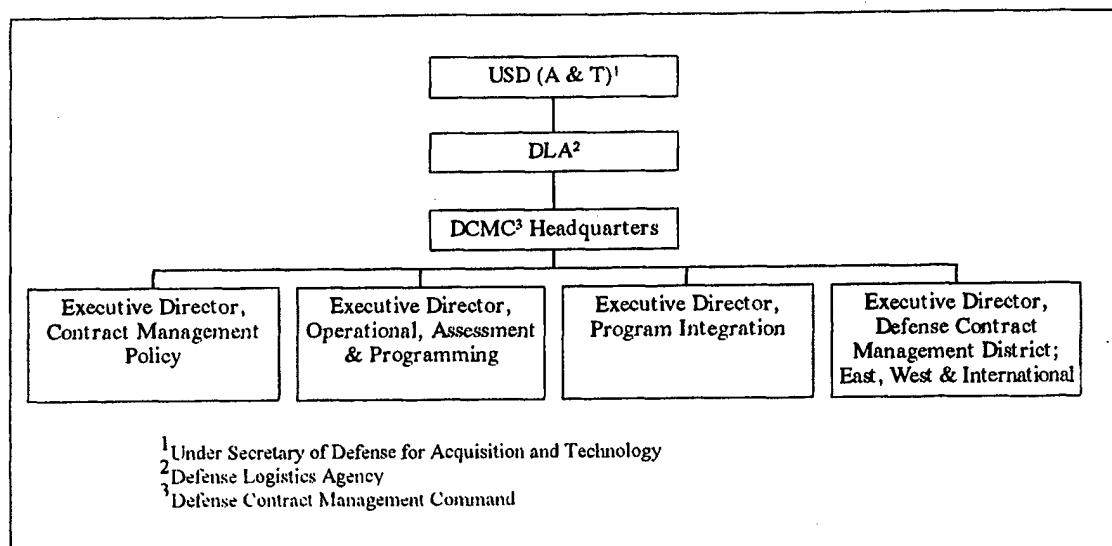


Figure C-4. Structure of the Defense Contract Management Command

Appendix D. Responses to Questionnaires

Questionnaires. To gain an understanding of each Military Department and DCMC technology transfer structure, we sent questionnaires to all FDOs that the Military Departments and DCMC identified. As of February 6, 1998, 379 questionnaires were returned. Of those returned, 138 were designated FDOs.

Army. The Office of the Deputy Chief of Staff for Intelligence for the Army did not maintain a listing of personnel that performed foreign disclosure. However, at our request, the Army sent the questionnaire to its major commands, which distributed the questionnaire to its field organizations. Of the 90 returned questionnaires from the Army, 51 were designated FDOs and the remaining 39 were not.

Navy. The Navy International Programs Office provided a listing of 33 personnel who assisted in making disclosure decisions. Of the 19 Navy questionnaires returned, only 2 respondents were designated FDOs.

Air Force. The Air Force Material Command Foreign Disclosure Office and the Office of the Deputy Under Secretary of the Air Force (International Affairs) provided listings of foreign disclosure offices and disclosure points of contact. Based on those listings, we mailed 243 questionnaires. Of the 208 returned questionnaires, 73 were designated FDOs.

DCMC. For the DCMC, points of contact were obtained from the DCMC district headquarters for their various offices. Questionnaires were mailed to those points of contact, who were then requested to provide the questionnaire to their FDOs. Of the 66 questionnaires mailed, 62 were returned, and 12 of the respondents indicated that they were designated FDOs.

The questionnaire contained questions on what disclosure responsibilities the individual was given, whether disclosure responsibilities were full-time or part-time, what type of programs the FDO supported, how much formal training the appointed FDO had received in the past 5 years, and the job series of the individual. The results received are summarized in Tables D-1 through D-5.

Disclosure Responsibilities. Table D-1 shows the results of the type of disclosure responsibility the FDO respondents maintained. Of the 138 respondents, 74 had full disclosure authority, which allowed the release of classified data, and 56 had limited disclosure authority, which allowed the release of only unclassified data.

Appendix D. Responses to Questionnaires

Table D-1. Disclosure Responsibilities Maintained

| <u>Responsibilities</u> | <u>Army</u> | <u>Navy</u> | <u>Air Force</u> | <u>DCMC</u> | <u>Total</u> |
|-------------------------|-------------|-------------|------------------|-------------|--------------|
| Full disclosure | 25 | 1 | 43 | 5 | 74 |
| Limited disclosure | 22 | 1 | 30 | 3 | 56 |
| No answer provided | 4 | 0 | 0 | 4 | 8 |

Disclosure Status. Table D-2 shows how many of the 138 FDO respondents performed their disclosure functions on a full-time and part-time basis

Table D-2. Full-Time and Part-Time Disclosure Status

| <u>Status</u> | <u>Army</u> | <u>Navy</u> | <u>Air Force</u> | <u>DCMC</u> | <u>Total</u> |
|--------------------|-------------|-------------|------------------|-------------|--------------|
| Full-time | 12 | 1 | 44 | 2 | 59 |
| Part-time | 38 | 1 | 29 | 8 | 76 |
| No answer provided | 1 | 0 | 0 | 2 | 3 |

Programs Supported. Table D-3 shows the responses to the questionnaire regarding the types of programs supported by the 138 FDO respondents

Table D-3. Programs That Respondents Supported

| <u>Foreign military sales</u> | <u>Army</u> | <u>Navy</u> | <u>Air Force</u> | <u>DCMC</u> | <u>Total</u> |
|------------------------------------|-------------|-------------|------------------|-------------|--------------|
| Yes | 25 | 1 | 45 | 7 | 78 |
| No | 25 | 1 | 28 | 3 | 57 |
| No answer provided | 1 | 0 | 0 | 2 | 3 |
| <u>Direct commercial contracts</u> | | | | | |
| Yes | 10 | 1 | 36 | 6 | 53 |
| No | 40 | 1 | 37 | 5 | 83 |
| No answer provided | 1 | 0 | 0 | 1 | 2 |
| <u>Co-productions</u> | | | | | |
| Yes | 15 | 1 | 30 | 3 | 49 |
| No | 35 | 0 | 43 | 6 | 84 |
| No answer provided | 1 | 1 | 0 | 3 | 5 |
| <u>Co-developments</u> | | | | | |
| Yes | 17 | 1 | 30 | 3 | 51 |
| No | 33 | 0 | 43 | 6 | 82 |
| No answer provided | 1 | 1 | 0 | 3 | 5 |

Appendix D. Responses to Questionnaires

Formal Training Received. Table D-4 shows the number of FDO respondents who had received formal training over the past 5 years

| Table D-4. Number of FDOs Who Had Received Training Over the Last 5 Years | | | | | |
|--|-------------|-------------|------------------|-------------|--------------|
| <u>Received Training</u> | <u>Army</u> | <u>Navy</u> | <u>Air Force</u> | <u>DCMC</u> | <u>Total</u> |
| Yes | 22 | 0 | 59 | 7 | 88 |
| No | 29 | 2 | 14 | 4 | 49 |
| No response | 0 | 0 | 0 | 1 | 1 |

Individual Job Series. Table D-5 shows the job series of those personnel who performed disclosure functions

| Table D-5. Job Series of Personnel Performing Disclosure Functions | | | | | |
|---|-------------|-------------|------------------|-------------|--------------|
| <u>Job Series</u> | <u>Army</u> | <u>Navy</u> | <u>Air Force</u> | <u>DCMC</u> | <u>Total</u> |
| GS-080 ¹ | 40 | 0 | 26 | 2 | 68 |
| GS-132 ² | 4 | 0 | 8 | 0 | 12 |
| GS-301 ³ | 0 | 0 | 7 | 2 | 9 |
| GS-343 ⁴ | 0 | 0 | 5 | 2 | 7 |
| Other | 7 | 2 | 27 | 6 | 42 |

¹Security administration job series
²Intelligence job series
³Miscellaneous administration and program job series
⁴Management and program analysis job series

Appendix E. Report Distribution

Office of the Secretary of Defense

Under Secretary of Defense for Acquisition and Technology
Deputy Under Secretary of Defense (International and Commercial Programs)
Director, Defense Logistics Studies Information Exchange
Under Secretary of Defense (Comptroller)
Deputy Chief Financial Officer
Deputy Comptroller (Program/Budget)
Under Secretary of Defense for Policy
Deputy Under Secretary of Defense (Policy Support)
Assistant Secretary of Defense (Public Affairs)

Department of the Army

Assistant Secretary of the Army (Financial Management and Comptroller)
Deputy Under Secretary of the Army (International Affairs)
Deputy Chief of Staff for Intelligence
Auditor General, Department of the Army
Commander, Aviation and Missile Command

Department of the Navy

Assistant Secretary of the Navy (Financial Management and Comptroller)
Director, Navy International Programs Office
Auditor General, Department of the Navy

Department of the Air Force

Assistant Secretary of the Air Force (Financial Management and Comptroller)
Deputy Under Secretary of the Air Force (International Affairs)
Auditor General, Department of the Air Force
Commander, Electronic Systems Center

Other Defense Organizations

Director, Defense Contract Audit Agency
Director, Defense Logistics Agency
Commander, Defense Contract Management Command
Director, National Security Agency
Inspector General, National Security Agency

Appendix E. Report Distribution

Other Defense Organizations (cont'd)

Director, Defense Security Assistance Agency
Inspector General, Defense Intelligence Agency

Non-Defense Federal Organizations and Individuals

Office of Management and Budget
General Accounting Office
National Security and International Affairs Division
Technical Information Center
Inspector General, Department of State

Chairman and ranking minority member of each of the following congressional committees and subcommittees

Senate Committee on Appropriations
Senate Subcommittee on Defense, Committee on Appropriations
Senate Committee on Armed Services
Senate Select Committee on Intelligence
House Committee on Appropriations
House Subcommittee on National Security, Committee on Appropriations
House Committee on Government Reform and Oversight
House Subcommittee on Government Management, Information, and Technology,
Committee on Government Reform and Oversight
House Subcommittee on National Security, International Affairs, and Criminal Justice,
Committee on Government Reform and Oversight
House Committee on National Security
House Permanent Select Committee on Intelligence

Part III - Management Comments

Department of the Army Comments



REPLY TO
ATTENTION OF

DEPARTMENT OF THE ARMY
UNITED STATES ARMY AVIATION AND MISSILE COMMAND
REDSTONE ARSENAL, ALABAMA 35898-5000

AMSAM-IR

25 Aug 98

MEMORANDUM FOR Inspector General, Department of Defense,
400 Army Navy Drive,
ATTN: Ms. Evelyn R. Klemstine,
Arlington, VA 22202

SUBJECT: DODIG Draft Report, Implementation of the DOD
Technology Transfer Program (Project No. 7LG-0040.01)

1. Enclosed are comments to the subject draft report from the Multiple Launch Rocket System (MLRS) Project Office, Tactical Missiles Program Executive Office.
2. Point of contact for this action is Mr. William R. Huseman, AMSAM-IR, DSN 897-1785 or commercial 205-313-1785.

Encl

Ellis L. Cox
ELLIS L. COX
Chief, Internal Review and
Audit Compliance Office

AN EQUAL OPPORTUNITY EMPLOYER

Department of the Army Comments

04 AUG 1998

SFAE-MSL-ML-MG

MEMORANDUM FOR Commander, U.S. Army Aviation and Missile Command,
ATTN: AMSAM-IR, Redstone Arsenal, AL
35898-5000

SUBJECT: Internal General Audit of Foreign Disclosure Procedures

1. Reference memorandum, AMSAM-IR, 22 Jul 98, subject as above.


2. The draft audit report, Implementation of the DoD Technology Transfer Program, Project No. 1 7LG0040.01, 30 Jun 98, has been reviewed as requested. The MLRS PMO concurs with the report and recommendations with the following exceptions:

a. the statement of the paragraph under heading "Army DDLs," quoting Army Aviation and Missile Command personnel, should be revised as indicated in the enclosure to more accurately reflect provided information.

b. additional information, comments, and justifications are also provided in the enclosure.

2. The point of contact for this action is Mr. Clint Cochran, SFAE-MSL-ML-MG-C, 876-7250.

Encl


LINDA M. GENTLE, D.B.A.
Chief, Program Management Division
MLRS Project Office

CF:
SFAE-MSL-ML, COL Ward

Department of the Army Comments

Final Report
Reference

Revised

Paragraph "ARMY DDLs", 3rd sentence (report page 9)

"Personnel from the Army Aviation and Missile Command stated that the Multiple Launch Rocket System did not have a DDL because of the involvement of several other countries in the initial development of the program."

Delete and replace with:

MLRS was developed and is manufactured under a cooperative program with 4 other countries. A cooperative program memorandum of understanding (MOU) was signed in July 1979. However, at that time directives and regulations were not in place requiring Technology Assessment / Control Plans (TA/CPs) and Delegation Disclosure Letters (DDLs). DOD Directive 5230.11 was issued 16 Jun 1992 and AR-380-10 was revised to implement the DDL requirement. In accordance with the MOU, approval of partner countries is required prior to release of MLRS technical data package (TDP) documentation. Classified information is released in accordance with the MLRS Security Classification Guide. Although no DDLs or other formal procedures existed at that time, MLRS Project Office personnel state that approvals were obtained in accordance with the MOU and that sensitivity of all released information was considered prior to release to Foreign Military Sales (FMS) customers or potential customers.

Recommendation 4.a. Concur

Comments:

DDLs will be prepared for current (open) and future FMS cases. The MLRS PMO has previously prepared and will continue to prepare DDLs for International Program Agreements and for release of information to Foreign Nationals as required by latest revision to AR 380-10.

Recommendation 4.b. Concur

Comments

Preliminary research by MLRS PMO indicates that all technical information previously provided Israel in response to FMS PMR action items was reviewed for releasability by system experts from the MLRS PMO, SAMD, and by the MLRS PMO representative designated as review authority by the FDO. Release criteria was based on the MOU and FMS case requirements for information to support maintenance (to include depot maintenance), training, or operation of procured systems and was in accordance with the MLRS Security Classification Guide. As recommended, action has been initiated to obtain FDO review of all Israel action items involving technical information to reevaluate data releasability. The review is expected to complete 1 Jan 91.

Defense Logistics Agency Comments



DEFENSE LOGISTICS AGENCY
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IN REPLY
REFER TO DDAI

SEP 09 1998

MEMORANDUM FOR THE ASSISTANT INSPECTOR GENERAL FOR AUDITING,
DEPARTMENT OF DEFENSE

SUBJECT: DoD IG Draft Report, Implementation of the DoD Technology Transfer Program
(Project No 7LG-0040 01)

This is response to your 30 June 1998 request for comments to the draft report

If you have any questions concerning this, please call Dave Stumpf, DDAI, 767-6266.

Encl


SHEILA P RAINES
Team Leader, Liaison & Policy
Internal Review Office

CC: DCMC-OE
DCMC-BE

Defense Logistics Agency Comments

SUBJECT: Draft Report on the Implementation of the DoD Technology Transfer Program
(Project No 7LG-0040.01)

FINDING: Implementation of the Technology Transfer Program

The DoD technology transfer program was not fully executed for the Army and Air Force programs we reviewed. Specifically, DCMC was unable to effectively perform the FDO function at contractor facilities. Although the Navy had adequate controls for its two programs we reviewed, the Army and the Air Force had inadequate controls in place for reviewing technical data released to foreign nationals for their four programs we reviewed. DCMC was unable to effectively perform the FDO function at contractor facilities because of continued personnel reductions. In addition, the Army and the Air Force were not in compliance with existing policies and procedures for the release of technical data. We did not find any occurrences of classified or unclassified technical data being compromised for the programs reviewed, however, undue risk may exist that U S. technical data could be compromised.

DLA COMMENTS: Partially Concur. DCMC will review current policy and procedure for the Technology transfer program. Until this assessment is complete, we are unable to determine whether personnel reduction have contributed to the areas of concern listed.

Internal Management Control Weakness:

(X) Partially concur

ACTION OFFICER: Mr. Arthur J. Hurtado, DCMC-OE, 767-8428

REVIEW/APPROVAL: Mr. Robert Schmitt, DCMC-O

COORDINATION: D Stumpf, DDAI

DLA APPROVAL:



E.R. CHAMBERLIN
Rear Admiral, SC, USN
Deputy Director

SEP 09 1996

Defense Logistics Agency Comments

SUBJECT: Draft Report on the Implementation of the DoD Technology Transfer Program
(Project No. 7LG-0040.01)

Recommendation 2: We recommend that the Deputy Under Secretary of Defense for Policy Support in coordination with the Director, Defense Logistics Agency, review the January 1991 memorandum of agreement between the Deputy Under Secretary of Defense for Policy Support and the Director, Defense Logistics Agency to determine whether the requirements of the memorandum continue to be executable given the workforce reductions at the Defense Contract Management Command

DLA Comments: Concur. DCMC supports a Process Action Team approach to determine the most efficient and effective way to accomplish this program in light of DoD risk management techniques

Disposition:

(X) Action is considered complete

Action Officer: Mr Arthur J Hurtado, DCMC-OE, 767-8428
Review/Approval: Mr Robert Schmitt, DCMC-O
Coordination: D Stumpf, DDAI

DLA APPROVAL:



R. R. CHAMBERLEN
Rear Admiral, SC, USN
Deputy Director

CF 05 133

Defense Logistics Agency Comments

SUBJECT: Draft Report on the Implementation of the DoD Technology Transfer Program (Project No. 7LG-0040 01)

Recommendation 3: We recommend that the Commander, Defense Contract Management Command-Lockheed Martin-Fort Worth review all releases of technical data to foreign nationals in accordance with Air Force Handbook 16-202

DCMC Comments

(X) Nonconcur DCMC Lockheed Martin Fort Worth procedures are consistent with DoD and DCMC risk management techniques Further assessment of policy and procedures recommended by DCMC and employed by Lockheed Martin may prove this approach is an example of good contractual controls and a prototype for the future performance of this function

DCMC Lockheed Martin employs the procedures described below

The DCMC Foreign Disclosure Officer (FDO) reviewed all data releases with the exception of the Software Maintenance Facility (SWMF) The technical personnel from Lockheed Martin Tactical Aircraft Systems (LMTAS) accomplished the SWMF review The preparation, sanitation and review of all SMWF data for release are described below

All Software Maintenance Facility (SWMF) data was given a 100 percent review by an authorized LMTAS technical staff member as required by the contract Technical Control Plan (TCP). Further, transfer control records show that LMTAS employees are given security briefings and their acknowledgement is on file

All releases were reported to the Program Office and are contained in a Master Release Record File maintained by LMTAS


The procedures for review will be reevaluated in a PAT Team assessment as discussed in Recommendation two These procedures are consistent with DoD and DCMC approach to evaluation of risks associated with various processes Increasing Contractor Oversight techniques will compliment efficient use of reduced DCMC resources.

Disposition:

- ☐ Action is considered complete
- ☐ Action is ongoing Estimated Completion Date

Action Officer Mr Arthur J Hurtado
Review/Approval Mr Robert Schmitt RJS
Coordination: DCMC-OE, Ms Kathy Zalonis JZ

DLA APPROVAL:


E R CHAMBERLIN
Rear Admiral, SC, USN
Deputy Director

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